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SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 May 1992, at 10 a.m.

President: Mr. EL-HUSSEIN (Sudan)
later: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.10 a.m.

UNIDO POLICIES, UNIDO ENERGY PROGRAMME (continued) (IDB.9/9)

1. Mr. SIAZON (Director-General) said that hitherto UNIDO had established its priorities on the basis of legislative mandates, a practice duly reflected in the medium-term plan. The debate on item 4, however, had shown the possible shortcomings of that approach. The Secretariat, having revised the energy programme once in compliance with the wishes of Member States, had been asked to revise it again. Obviously, there was need for a clear indication from Member States as to whether an energy programme was needed and, if so, what its content should be. As had been suggested by several delegations, it might be advisable to establish a mechanism consisting of regional groups to set priorities in conjunction with the Secretariat, which could provide essential information on the skills and organizational capabilities available.

2. With regard to the additional items proposed for inclusion in the agenda of the Board's next session, he agreed that the discussion of industrial rehabilitation and of small-scale industries would be most helpful. But such items could not simply be added without further ado to an already overburdened agenda.

3. The Secretariat was fully aware of the need for reform, which lay behind its restructuring proposals. Furthermore, it had made important contributions to this debate in the context of discussions on UNDP successor arrangements and similar reform items in inter-agency forums. What it now wanted was clear guidance from Member States as to what UNIDO's future role should be.

4. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division), replying to points raised at the previous meeting, said that it had been suggested that the energy programme was too ambitious. It had, however, been developed on the basis of UNIDO's existing capacity and of projects that had already been implemented in developing and Eastern European countries. It had been prepared with the advice of an OPEC consultant, who had proposed that individual energy projects should be combined in a single programme, which would have a much bigger impact. He had argued that, through such a programme, UNIDO could promote the efficient use of energy, thus reducing the cost of industrial operations, making industrial exports more competitive and allowing the energy saved to be used for further industrial development. His proposal applied to all conventional sources of energy. It was felt that new and renewable sources were primarily suitable for rural

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development; they should be seen as alternatives, which could help, for example, to prevent deforestation, but not as substitutes for use in industrial areas.

5. When the energy programme had been drafted, UNIDO had had expertise available in petroleum and petroleum refining, coal and low-grade coal, gas, solar and thermal energy, biomass and wind. Hydropower had been omitted because, although UNIDO was engaged in various mini-hydropower projects, it was not involved in large-scale hydropower plants, an area dominated by the World Bank, for which UNIDO lacked the required expertise and resources.

6. A compilation of energy sector projects made in 1990 showed them amounting to about 10 per cent of technical cooperation activites, and since then the number had risen. There were hundreds of such projects in Africa, Asia and the Middle East. For example, a coal centre had been established in Poland, financed by UNDP; there was a wind-energy project in Egypt, with cooperation from Denmark, financed by UNDP, a solar/thermal project in Jordan and a mini-hydropower project in China. There were several donor-financed projects. The Angola Petroleum Centre, financed by the Norwegian Agency for International Development (NORAD), Italy and UNDP, has led to a new phase involving a programming mission which was under way for countries of the Southern African Development Coordination Conference (SADCC), in cooperation with Canada and NORAD.

7. It had been suggested that there was no relationship between the energy programme and the environment programme. Implementation of the energy programme would, however, contribute considerably to environmental protection by reducing gas emissions and air pollution. It had not been thought necessary to stress the relationship between the two in the document, but it was clear in the medium-term plan. Regarding the relationship between the UNIDO energy programme and the United Nations Conference on Environment and Development, she said that a paper on the issues of climate change and global warming, just received by UNIDO, called on all United Nations agencies to embark on programmes to reduce environmental effects by efficient energy use. The UNIDO energy programme could make an important contribution in that connection, showing that it was possible to protect the environment while at the same time promoting industrialization in developing countries by efficient use of energy.

8. Regarding the TCDC component of the programme, she said that many pilot projects concerned with training and the transfer and dissemination of technology, such as those in Angola and Poland, were open for cooperation with other developing countries.

9. Regarding the role of equipment, she said that the main factors in energy conservation and efficiency were correct operation and management, followed by maintenance, with equipment coming third. The energy conservation project in Egypt had shown that better operation and management of industrial plant and improved maintenance could save 30 to 40 per cent of the energy used without any further investment. If more savings were needed, and would require equipment, feasibility studies could be carried out to determine whether the capital investment was justified.

10. Due account had been taken of the comments made by Member States after the informal presentation of the programme in 1991, and cooperation had been started with OPEC, IIASA and IAEA. The four agencies had prepared a joint paper which was to be presented at the forthcoming World Energy Congress in Spain and had been accepted by the World Energy Congress Secretariat.

11. On the question of the funds required, she emphasized that no additional budgetary funds would be needed. Extrabudgetary funds would be used for the consultants. If no extra money was received from donors, the more than 200 projects under way would not be affected. The programme would be unable to expand, but it could continue at the current level.

12. Mr. ANGUIANO (Mexico) said it was clear from the Secretariat's replies to members' questions that there was no UNIDO energy programme as such, but that there were programmes and projects with an energy component, which was as it should be. There was thus no need for a new document on the subject. The energy component was clearly a fundamental aspect of other programmes and projects. A concern for the environment was already implicit in UNIDO's day-to-day operations. No action was required to allocate new budgetary resources; although paragraph 49 of the document referred to regular budget allocations, it had been explained that the funds required were supplementary resources. He believed, therefore, that the Board should simply take note of the document rather than regard it as a basis for reference. It was in fact rather confusing, since it made no reference to specific projects and used language which implied that UNIDO might become an energy agency.

13. Mr. QUIJANO (Observer for Colombia) said that energy had long been an important aspect of UNIDO activities. Document IDB.9/9 represented an attempt to respond to a request from the General Conference. The Secretariat should continue the initiative it had launched; specific aspects of the whole complex energy problem should be regularly submitted to the Board for discussion. One such aspect might be the tremendous problem in the rapidly growing cities of the developing world of the disposal and recycling of household waste. Another might be the use of energy and the conservation of energy - for example, in transport. Unfortunately, the costs of the proposed programme had been presented in a rather simplistic way. Very much larger sums, probably running into millions of dollars, would be needed for any serious work in the energy sector.

14. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division) said that her reference to keeping within available resources related to staff costs at Headquarters. It did not mean that actual programming could not lead to millions of dollars in projects. She agreed entirely with the representative of Colombia on that point and wished to make it clear that UNIDO was not underestimating the cost. That cost would be borne, however, by the recipient countries or by the international financial institutions that might call on UNIDO for advice. The Organization was already working closely with the World Bank.

15. The PRESIDENT said that the Board had thus concluded its discussion of item 4. It would

revert to the item later for the sole purpose of adopting decisions on the matters raised during the debate.

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1991 (IDB.9/3, IDB.9/10 and Corr.1 and Add.1 and 2; IDB.9/CRP.1)

16. Mr. TANDON (Director, Area Programmes Division), introducing the item on behalf of the Department for Programme and Project Development, said that the report on technical cooperation activities in 1990 (IDB.9/3) covered the topics of capabilities for national execution of technical cooperation projects and the ratio of expert component costs to other component costs. It also provided a definition of the concept of technical cooperation in terms of UNIDO operational activities and discussed some qualitative and procedural aspects of appraisal and project development. As far as national execution was concerned, it should be noted that a significant part of technical cooperation activities were directed towards strengthening national capacities through institution-building and training projects. The report described the role of specialized agencies in the context of national execution as currently defined by UNDP, which was clearly different from the concept of "government" execution used before 1992. The chapter on the ratio of expert component costs to other component costs illustrated the complexity of the issues involved. The programming and appraisal process was being improved in line with General Conference decision GC.4/Dec.11.

17. Mr. KUME (Japan) expressed his appreciation for UNIDO's efforts to meet the challenges of industrial development in 1991 in spite of certain unfavourable factors and welcomed the fact that it had been found to be one of the most cost-efficient United Nations agencies. Bearing those achievements in mind, the Board now had to determine what action should be taken to offset the projected decline in operational income, especially from UNDP. It seemed inevitable that UNIDO must accept greater specialization and prioritization of its activities since it could not cover all the developing countries' various needs.

18. He welcomed the information contained in document IDB.9/3 regarding the measures taken during 1991 to improve the qualitative aspects of UNIDO's technical cooperation activities. In ensuring the quality of projects, attention must be given to relevance, feasibility, cost-effectiveness, sustainability and capability with the objectives of the medium-term plan. The true needs of the developing countries must, of course, always be taken into account.

19. During the past year his Government had contributed $4.2 million to operational activities through both IDF and the trust funds. The IDF contribution mainly concerned investment promotion (including feasibility studies) for Asia, Latin America and to a lesser extent, Africa, whereas the trust fund contribution had financed projects or programmes such as the LDC Programme for Africa, the Regional Programme for Latin America, rural women's projects in Africa and others. A very interesting workshop had recently been organized by UNIDO in Mali in close cooperation with the Governments of Mali and Japan to review promotional and training activities aimed at developing traditional textile industries in West African countries as part of the LDC programme. It was a good example of how UNIDO could use limited funds to good effect.

20. In continuing its efforts to meet the needs of the developing countries, he hoped that UNIDO would encourage internal teamwork.

21. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the clear description contained in part I of document IDB.9/3 of the changes likely to flow from the introduction of the new support cost arrangement, and more particularly paragraph 4, which identified the basic criteria for defining a national entity as an executing agent, and paragraph 6, which described the probable new role of the United Nations agencies. He commended UNIDO for approaching the changes objectively. He expected that UNIDO would gradually carry out less routine administrative work on project execution and concentrate more on technical backstopping, as the advantages listed under paragraph 8 - apart from subparagraph (e) - seemed to indicate. In the longer term, the agencies might need to cut down the number of administrative staff. He would encourage UNIDO to give further study to the changeover to national execution and prepare a transitional plan of action. The changes involved would need to be reflected in budget projections and staff structure over the next five to ten years.

22. The countries of the European Community would make efforts in the UNDP governing bodies to ensure that, under the new support cost successor arrangements, UNIDO would continue to be involved in the execution of projects wherever it had a particular advantage. He recognized the importance of supporting and coordinating country programmes for technical cooperation financed from all sources (UNDP and non-UNDP) and would encourage UNIDO to promote complementarity and coordination between activities financed by UNDP and those financed by IDF and, as far as possible, by the regular programme of technical cooperation. The Organization should seek to promote internal teamwork, drawing on all its expertise for the development and implementation of projects and programmes. It should further develop mechanisms for the technical monitoring of all its programmes and projects, including field missions where required. He stressed the importance of the systematic evaluation of technical cooperation and the need to ensure that the results of evaluations were taken into account in project development. Finally, he requested UNIDO to apply fully the quality criteria adopted in decision GC.4/Dec.11.

23. Mr. PAREDES (Peru) said that the aim in technical cooperation should be to maximize national execution, with a view to increasing national capacity, and to developing projects meeting the real needs of recipient countries, while at the same time reducing costs, particularly expert costs. That was an approach which should assist in promoting the transfer of equipment and technology and enable technical cooperation activities to have a real impact on the economies of the developing countries.

24. Document IDB.9/3, part II, described the ratio of expert component costs to other component costs. It seemed clear that the combination of factors involved was mainly determined by the

recipient countries. Peru believed that stress should be laid on the transfer of technology and equipment and on training. It supported the proposed increase in the participation of developing country nationals in technical cooperation projects referred to in paragraph 16.

25. He had certain suggestions to make for improvements in technical cooperation activities. First, a working group might usefully be set up to study matters of substance, including the concept of cooperation, its scope and impact on the economies of the developing countries, the suitable combination of components and the strengthening of national capability, and to make suggestions on new approaches. Secondly, the technical cooperation programme should be strengthened to ensure that high quality was ensured throughout the process of project development and execution. Thirdly, technical cooperation funds should be increased, and in that connection he wished to appeal to potential donors for assistance. Fourthly, regional programmes, which gave an overview of the course taken by cooperation activities, should be strengthened. Due consideration should be given to the last aspect in the course of UNIDO's structural adjustment process, and in particular more support should be provided for the Programme for the Industrial Recovery of Latin America and the Caribbean.

26. Mr. NDIAYE (Senegal) expressed deep concern about the decrease in the financial resources available to UNIDO for its technical cooperation activities. In the context of the new UNDP policy, UNIDO's role was of the utmost importance for the developing countries. They needed UNIDO's support more than ever before to achieve their development objectives, whether in the preparation of sectoral policies or in the coordination of assistance offered by different financing agencies. It was of great importance to the African countries that adequate resources should be made available for those activities, which were indispensable for the success of the Second Industrial Development Decade for Africa. In view of UNDP's difficulties and the uncertainties surrounding the means of financing the Second IDDA at the regional and subregional levels, he wished to encourage UNIDO to organize joint missions to donor countries in cooperation with OAU, ADB, ECA and UNDP.

27. Mr. WANG Zhixi (China) said he had noted from the annual report and the report on technical cooperation activities that the current decrease in UNIDO's traditional resources, the switch towards the national execution of projects and the decline in the number of projects approved by UNDP was likely to continue in the future. UNIDO naturally had to take account of the new situation, but its main task was still to promote the industrial development of the developing countries. It should make every effort to maintain and increase the level of its technical cooperation activities. It should find the means of keeping abreast of changes in science and technology and discover new ways of providing technical cooperation so as to ensure the quality and competitiveness of its services.

28. In recent years the Secretariat had improved its standards of efficiency and the quality of its work and rendered valuable services to nationally executed projects. In general, his authorities were satisfied with the work carried out by the Secretariat, but they did believe that it should study how better it might serve the developing countries in the changed situation today. A great deal remained to be done. The Secretariat should respond promptly and effectively to developing countries' requests and raise its standards of efficiency still further. It should improve its cost-effectiveness. Project input costs had increased considerably and the Secretariat should take steps to lower them and husband the limited resources available for technical cooperation activities, thus enhancing UNIDO's image and making it more competitive. It should also diversify sources of finance and find the means of arranging for self-funding in some cases. The number of trust fund projects approved in 1991 had increased and offset some of the losses from projects financed by other sources. Investment promotion programmes had also increased rapidly, and those channels could be developed still further. On the other hand, IDF projects approved in 1991 had declined and UNIDO's goals had not been reached. He believed, however, that IDF was of great importance to UNIDO and hoped that all Member States would increase their contributions to them.

29. Mr. BRAGA (Brazil) said technical cooperation was one of the most important aspects of UNIDO's activities. While the Organization deserved praise for its efforts to strengthen such activities, it ought to give greater details on the projects and programmes implemented. He also believed that the Secretariat should establish with the recipient countries a more effective mechanism for evaluation of the effectiveness of its projects. One means of doing so might be for the national agency responsible for a project and the UNIDO expert assigned to it to prepare a "phase report". It would thus be easier for the Organization to identify the strengths and weaknesses of the methodology adopted in specific projects or in technical cooperation activities in a given sector.

30. He also believed that UNIDO should take into greater consideration the developing countries' capacity to implement projects and themselves to supply services - including experts - and equipment for UNIDO projects, thus strengthening economic and technical cooperation among developing countries. He believed that the percentage figure of 34 per cent of experts from developing countries on the roster was too low, as was the percentage of such experts appointed the previous year by UNIDO - only 18 per cent.

31. The evolution of the international situation seemed to indicate a need to reappraise all activities in all sectors of international life. It would seem appropriate to re-examine UNIDO's technical cooperation activities with a view to determining their strong points and their weaknesses.

32. Mrs. SUNYAKOVA (Russian Federation) said she was glad to note that, in spite of its financial difficulties, UNIDO's technical cooperation work had continued satisfactorily, with projects implemented in 1990-1991 to a value of $307.1 million, an amount 60 per cent higher than the corresponding figure for 1986-1987. It appeared that there had at the same time been a

decline in the volume of projects approved for execution, UNDP approvals having decreased, and she therefore welcomed the efforts made by the Director-General to adapt UNIDO's policy in that field towards the method of national execution. The success achieved in increasing the number of national experts should be acknowledged; it should help to develop cooperation among the developing countries and also enable existing resources to be better used. She believed it would be useful to examine the possibility of executing national technical cooperation projects with international participation and with access to appropriate sources of assistance through UNIDO.

33. UNIDO must have available accurate information on projects being executed at the national level. The former USSR had participated in the preparation of projects and training of national staff from the developing countries at various courses and seminars. The Russian Federation was now seeking the possibility of continuing such cooperation. Its organizations, which had extensive experience of such work, could take an active part in UNIDO's technical assistance projects in appropriate ways, including the provision of consultants and experts.

34. Her country was also very interested in drawing on UNIDO's experience in the establishment of free-trade areas, privatization, the promotion of entrepreneurial activity, the development of small and medium-sized enterprises and the use of non-waste technologies.

35. Mr. GUTIERREZ (Chile) said that in the restructuring of UNIDO, technical assistance should be analysed in depth, in order to bring about better coordination within the Organization and to take advantage of the opportunities available for obtaining financing from many different sources. A serious problem arose out of the pressure on staff to work in such a way as to secure more support costs for programmes. An atmosphere of unhealthy competition had arisen, in which there was a tendency to appropriate information instead of sharing it, which had an adverse effect on the Organization's work. In addition, many technical specialists found themselves spending too much time on the administrative aspects of projects rather than on the technical side. Once again, the result was a waste of human resources. In his view, there was a need to review the whole concept of technical cooperation, and he was not satisfied by the proposal in paragraph 18 of document IDB.9/3. Projects were the very basis of technical cooperation, although other activities, provided they were clearly defined, might also be included. UNIDO's future technical assistance and cooperation activities should be designed to strengthen national execution capabilities. All those matters should be thoroughly studied before the Board took up the question of restructuring at its tenth session.

36. UNIDO was at present entering a new phase of its existence, involving new relations with UNDP. A serious effort ought to be made to coordinate some of its activities with the programmes of the World Bank and the regional development banks, for which UNIDO could become an executing agency. The regional development banks were good potential sources of financing for UNIDO programmes.

37. In conclusion, he proposed the establishment of an informal open-ended working group to look into those matters in collaboration with the staff members concerned. A report on its work, which had no budgetary implications, should be submitted to the Board at its next session.

38. Mr. POPESCU (Romania) said he had been pleased to note that technical cooperation continued to be UNIDO's main activity and that, despite difficulties, it was the executing agency in 128 countries. However, he felt some concern over the decline in the share of training and equipment in total delivery and over the decrease in project personnel. The ratio of technical assistance components should remain more or less as it had been in 1988.

39. He had also noticed that UNDP still constituted UNIDO's major source of funding for technical cooperation. One third of the IPF approved for Romania had been allocated to two important projects: the establishment of a centre for the promotion of small- and medium-scale private enterprises and assistance to the Romanian national agency for privatization. A project had also been approved in 1991 for reducing environmental hazards from industry.

40. It was gratifying to note that by the end of 1991 the Special Industrial Services (SIS) allocations had been fully utilized, although there was cause for concern over a substantial reduction in real terms. He looked forward to the results of the evaluation of the SIS programme and hoped it would lead to improved guidelines.

41. It would probably prove necessary to reconsider the procedure for the recruitment of experts. According to the annual report, continued efforts had been made to rationalize recruitment and administrative procedures and to update the roster, with special attention to candidates from unrepresented and underrepresented developing countries. But appendix D gave a different picture. In 1991 only five Romanian experts had been appointed. He hoped that the position would be improved in future. That being said, he supported the Director-General's proposals to increase the participation of developing country nationals in technical cooperation projects.

42. He also endorsed the definition of technical cooperation in paragraph 18 of document IDB.9/3, which should be slightly modified to refer to United Nations sources of financing, and supported the action required of the Board in paragraph 8 of document IDB.9/2.

43. Mr. ROSALES (Cuba) said that his delegation took a particular interest in all activities designed to strengthen national execution capabilities, which were a most effective means of guaranteeing the necessary transfer of technology in the long term. That entailed active participation by the specialized agencies concerned in the various phases of project design, formulation, execution and evaluation. Cuba considered that there was a direct link between the success of a project and the national execution capability. In many developing countries the technical, scientific and organizational potential was available; what was lacking was the necessary financial resources and technology. It was precisely in that area that UNIDO could be of major assistance. Its involvement should always be on a case-by-case basis.

44. The ratio of project components should be determined solely by the priorities and objectives of the project concerned; any preference for this or that component based on the source of financing was undesirable. The results of some projects did not come up to expectations, because of delays in recruiting experts, providing training and supplying equipment. The technical cooperation machinery should therefore be dynamic and flexible, making use of the most appropriate forms of action.

45. He agreed with the view that a definition of the concept of technical cooperation must be based on the Constitution, viewed in general terms and not just as the sum total of the activities and services provided by UNIDO. The Secretariat should continue to study the question in depth with a view to providing the Board with more material for an exchange of opinions.

46. Mr. Cserveny (Hungary) took the Chair.

47. Mr. TANDON (Director, Area Programmes Division), replying to comments made in the debate, noted that many representatives had raised the question of redefining UNIDO's role in relation to UNDP. The central point to be noted was that the present stage was one of transition. The old regime was on its last legs, while the new regime had not yet been born. The state of transition had been going on for a long time. The most hopeful note was the emergence of a much greater degree of clarity: such terms as "government execution" and "national implementation" had now been defined in a constructive way, in the sense that under national implementation the agencies would have a role in terms of the inputs they could provide.

48. Many representatives had referred to the financial situation. There had been a long debate about technical assistance delivery and project approval. Of course the whole process had slowed down as a result of the state of transition. For instance, during the period 1986-1987, 123 country programmes had been approved. The comparable figure in the current period was only 19, rising in due course, it was hoped, by another 57. However, the situation should improve; higher delivery figures always followed higher approval figures. UNIDO had reached a record level of $106.1 million in mid-1991, but since then the approval rate had declined.

49. It had been widely argued that UNIDO should diversify its sources of financing, with special reference to the World Bank and the regional development banks. Some successes had been scored in the establishment of contacts with the World Bank and the Inter-American Development Bank (IADB). The World Bank had been active in assigning projects to UNIDO.

50. Concern had also been expressed about quality, with emphasis on the appraisal process. In that context, the objective-oriented planning process had been of considerable benefit, by making greater provision for participation by all the actors concerned, including the private sector.

51. On more specific points, the observer for Portugal, on behalf of the European Community, had called for a forecast of approvals and delivery. Unfortunately, the system had completely changed, and the previous type of forecast was well-nigh impossible. Until the situation became clearer, forecasting would remain problematic. Regarding the SIS programme, the resources, which were provided by UNDP, had remained constant since 1972. He agreed with the representative of China that UNIDO must prepare for the future, given the probability of a further decline in project approval and delivery. In an attempt to cope with the new situation, approximately 50 per cent of IDF had been devoted to low-income countries and a strong effort was being made to diversify UNIDO's sources of financing in a manner compatible with multilateralism. Regarding the regional programme in Latin America and the Caribbean, he drew attention to the way in which different sources of financing, including IDF and special-purpose contributions, had been deployed to bring about an increase. Further action would be taken along the same lines.

52. Mr. GUTIERREZ (Chile) said that, while grateful for the replies, he still had certain doubts. From his own experience he knew that it was of the utmost importance for relations with international sources of finance to be constant, and not sporadic. He would like to know whether the contacts that had been established with the World Bank and regional development banks had been at the working and programme levels, or had been more of a public relations operation. He noted with concern that the international financial organizations had not been represented at the General Conference. He would also like to be informed about the amounts of money involved.

53. Mr. SCOULAR (United Kingdom) said he understood that UNDP was at present meeting in Geneva to discuss the IPFs for many countries. That being so, it would appear that the timing of the present debate was wrong.

54. Mr. TANDON (Director, Area Programmes Division) said that the contacts with the World Bank had been of an initial nature. UNIDO wanted to be considered a development partner rather than a mere subcontractor. He had visited the World Bank himself, with a colleague, and UNIDO had been invited to carry out certain studies. It was true that the World Bank had at first entertained some reservations about UNIDO, thinking it too interventionist in its approach, laying down regulatory prescriptions. However, that impression had been dispelled in a series of meetings, at which UNIDO's concepts including that of strategic management of industrial development had been explained. The World Bank had accepted the concept of strategic management in principle, and UNDP had made an evaluation of the approach and endorsed it. There was now cooperation with several countries in Africa and some interest had been aroused in Latin America.

55. A high-level team had visited IADB, which had expressed considerable interest. Those contacts had been followed up by the Director-General's visit to Washington, where he had met the President of IADB. Once again, a beginning had been made and the ground had been prepared for further work. It was still too early to count the results in dollar terms: some projects were in the offing.

56. He agreed with the representative of the United Kingdom that a debate would be more meaningful in a few weeks' time.

57. Mr. GUTIERREZ (Chile) said that, after hearing the further explanations, his doubts had grown stronger. He would appreciate an answer to his question about the level at which the contacts in Washington had been held. Furthermore, while he welcomed the sustained action on behalf of Africa, he felt that little or nothing was being done for Latin America and the Caribbean, while Asia had not even been mentioned. A good beginning had been made, but his chief concern was to ensure that a determined effort was made to tap other potential international sources of financing.

58. Mr. SIAZON (Director-General) said that the Organization tried to make the best use of available resources and to identify partners both among the development agencies and among the financial institutions which could assist it in its development efforts in different continents. Before the meetings with the Inter-American Development Bank held the previous January, which had been headed by himself and the President of the Bank, meetings had taken place at the programme level; and agreement had been reached in January on some possible areas for cooperation, including the identification of two potential country partners. The President of the Bank was still waiting for allocation of a major part of his technical assistance funds. Once he received them it would be possible to start programming projects, and the Director-General was confident that such cooperation would be successful. In the meantime, UNIDO had sent an economist to the Bank, to help it prepare a country study on Brazil; and it was currently expecting a visit from an IADB expert on small and medium-sized industries, to discuss specific Latin American projects. During his visit to Washington, he had also met Mr. Müller, the head of the Bank's private-sector operations (ICC), and agreed to provide the Bank with investment projects, which it could examine and take up if appropriate. The first six projects would be provided cost-free. Thereafter the cost of project identification and formulation would be shared between the two organizations. Mr. Müller might have had some difficulty in starting up, but had been able to invest in some projects, and with the aid of agencies such as UNIDO should be able to identify more projects of common interest. It was expected that there would be fuller involvement with IADB once it began to receive funds from the Bush initiative. Cooperation with IADB regarding investment was the responsibility of the Washington Office, whereas the institutional link with the Bank was provided by the New York Office. UNIDO was also cooperating successfully with the Andean Development Corporation. There were delegates from Latin America assigned to IPS offices, precisely in order to identify joint-venture projects. It could thus be seen that a good deal of activity was taking place that, for lack of space, was not reflected in the report.

59. The annual report showed that substantial technical assistance was provided to Asia. UNIDO's three largest programme countries were in Asia, and there was much investment activity in that continent. Unfortunately, attempts to establish a formal relationship with the Asian Development Bank had so far been unsuccessful. The Organization's extensive network also included IFAD and the Islamic Development Bank.

STRUCTURE OF WORLD INDUSTRIALIZATION FROM THE LONG-TERM PERSPECTIVE (IDB.9/5)

60. Mr. FUKUCHI (Director, Industrial Policy and Perspectives Division), introducing the item, said that in 1990 the General Assembly had adopted resolution S-18/3 on International Economic Cooperation, and resolution 45/199 on the new International Development Strategy for the 1990s, both covering broadly all major issues related to economic and social development. However, resolution 45/196, focusing narrowly on industrialization, had called on Member States and the United Nations system to promote the diversification and modernization of productive activities in developing countries. UNIDO had been asked to make recommendations to the General Assembly in accordance with those objectives, and had responded with the 15 recommendations contained in document IDB.9/12. At the forty-sixth session of the General Assembly, those recommendations had been noted with appreciation, as had been the recommendation for a study of world industrialization from a long-term perspective.

61. Such a study conducted by the UNIDO Secretariat for the General Assembly would require resources provided by the General Assembly. The Fifth Committee of the General Assembly would thus have to address the funding requirement of about $2.2 million. The issues identified in the outline of the study contained in the annex to document IDB.9/5 reflected in a preliminary fashion the divergent views expressed when those issues had been discussed at the eighteenth special session and the forty-fifth regular session of the General Assembly in 1990. If the Board agreed that such a study was worth while and should be undertaken, it should recommend that funding should be sought for it from the General Assembly. It would not be a UNIDO project as such, but one initiated by the General Assembly and implemented by UNIDO.

62. Every year his Division's Global Issues and Policy Analysis Branch wrote the Global Report, recruiting outside consultants only for sectoral surveys. Its staff had nevertheless fallen from 18 to seven members in just five years. It had the skills and capacity to execute the project, but would have to acquire additional resources in order to collect information and opinions for case studies and to finance cooperation with national and subregional research organizations. If the project was successfully implemented, it would constitute an important example of cooperation between United Nations Headquarters and the specialized agencies in the implementation of projects. Over the past ten years, industrialization had not always received due recognition as an important feature of development strategy. However, General Assembly resolution 45/196 had been a turning point in that regard. The project under consideration would further contribute to that positive trend and greatly facilitate UNIDO's activities in the future.

63. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, said that the task of producing a study as ambitious in scope as the one proposed was so complex as to be well-nigh impossible. Furthermore, he noted that the General Assembly, although duly informed of the initial cost estimate of the study and of the envisaged sources of funding, had chosen not to give any indications on that important matter. The members of the European Community therefore considered that UNIDO should not undertake a study of such amplitude, which would heavily tax its resources, in addition to requiring additional funding at present conservatively estimated at

about $2.2 million. It was not clear whether anything new would emerge from the study, but it would certainly be expensive, and UNIDO would be unable to pay for it. That having been said, he did not rule out the possibility of carrying out a qualitative analysis of the major trends in the 1990s in the area of global industrial development. Such an analysis could perhaps be included as a separate chapter in the Global Report, provided that its inclusion imposed no extra burden on UNIDO's regular budget.

64. Mr. NDIAYE (Senegal) stressed the importance of the proposed study to Africa. The matter had recently been discussed at the tenth session of the Conference of African Ministers of Industry. Having regard to the implications of the study for the programming of short- and medium-term activities in Africa and for the redistribution of world industrial production, the Bureau of the Conference had requested, first, that adequate resources should be allocated for the purpose and that particular attention should be accorded in the study to Africa; secondly, that where equal skills were available, African experts should be used to conduct the study in Africa; and thirdly, that it should be completed before 1995.

65. Mr. PERMANAND (Trinidad and Tobago) said that the focus of the study was the relationship between long-term industrial development and the bases for such development, such as human resources and international resource flows, as well as the critical role of technology. To the list of factors contained in document IDB.9/5 should be added the role of the private sector, cooperation with the international financial institutions and the special problems of the least-developed countries. Given the major changes currently taking place in international relations, the study would also provide an opportunity to take stock of the new situation in the world. With regard to its funding, the Secretariat had identified various potential sources, including the Fifth Committee of the General Assembly. His delegation agreed with those proposals, but considered that funding should be on the basis of voluntary contributions.

66. The study had the potential to provide a map for the developing countries, which would assist them in the diversification and modernization of their industrial activities, so that their contribution to world output would cease to be as negligible as was currently the case. It would also indicate how far UNIDO had succeeded in its aim of promoting the industrialization of the developing countries. It would be interesting to know, for example, how much the developing countries' share of total world industrial production had grown over the past 25 years and how far, if at all, UNIDO had contributed to that growth.

67. Mr. KRISHNAN (India) said that one fundamental question was whether UNIDO was in fact the most appropriate agency to undertake a study of such magnitude. However, before that issue was considered, an even more fundamental question was the funding of the proposed study. Since the General Assembly wished UNIDO to undertake the study, the Organization should first ascertain whether the General Assembly was prepared to provide the necessary funds.

68. Mr. BAKSHI (Pakistan) said that his delegation supported the proposal to undertake a study on the structure of world industrialization from the long-term perspective. In response to the argument that by the time the study was completed the economic scene would have changed beyond recognition, thereby rendering the study almost academic, he would say that any economic study had to deal with parameters that were constantly changing. His delegation believed that the proposed study would be a worthy response to the changes taking place in the world. It went without saying that it would have to address the question of why economic success was apparently so easily achieved by some, yet elusive for others. In his delegation's view, $2.2 million was not too high a price to pay, in order to be better equipped to face the uncertainties of the future.

The meeting rose at 1 p.m.